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MANUFACTURERS HANOVER

Financial Digest

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Analysis of Business Trends Plus Selected Financial Indicators

Summer Means Vacation And Fun . . .

If you have not done so already, now is the time to pull out the road atlas, reserve your airline tickets or check your camping gear. Summer is here, and for most Americans that means time for a vacation. And while the last thing most people associate with their vacations is work, travel and tourism is big business in America. Viewed as a single industry, tourism can be considered the largest industry of the retail sector, directly or indirectly generating one out of every eight jobs in America and accounting for about seven percent of the gross national product. Given its importance, it is good news for the entire economy that travel spending in the U.S. is expected to grow about six percent this year.

Lower gasoline prices and the continued economic expansion will stimulate travel in the United States. And while the lower dollar has yet to make a significant dent in our trade deficit, it should encourage tourism here. The currency's depreciation makes it more expensive for Americans to travel to Europe while making our country a vacation bargain for Europeans and the Japanese. As a result, the number of foreign visitors this year is expected to come close to the record 23.5 million of 1981.

The greater influx of foreign travelers actually began last year. Spending by foreigners in the U.S. rose 6.8 percent in 1986, while Americans spent 1.2 percent less abroad. This resulted in a shrinking of our foreign travel deficit from $10.2 billion in 1985 to $9.0 billion in 1986. The dollar's fall also caused a shift in the countries Americans visited last year. The dollar's favorable position vis-a-vis its Canadian counterpart, coupled with the Vancouver Expo, pushed U.S. tourism to Canada up by 17 percent. European travel, however, dropped by an estimated 25 percent.

A shift in the composition of foreign travelers to the U.S. also occurred last year. The much weaker dollar and increased U.S. promotion abroad raised the number of European visitors by 20 percent, while Mexico's economic problems and the devaluation of the peso decreased travelers from that country by 15 percent.

. . . As More Foreigners Visit The U.S. . . .

Since foreigners spend twice as much as domestic travelers, the increase in foreign visitors this year will give an important boost to our tourism industry. Americans will also be crisscrossing the U.S., but the trend is for Americans to take shorter vacations, probably because most Americans only have two weeks of paid vacation time a year. So, although the average household took almost five pleasure trips last year, three quarters of these lasted less than three days and only one lasted more than four days. According to the Conference Board, half of all consumers will take a vacation within the next six months with ten percent staying in their home state, and 34 percent traveling to another part of the U.S. Only 6.7 percent intend to go abroad.

CONSUMER SPENDING ON SELECTED RECREATIONAL GOODS AND SERVICES

(Billions of Dollars)

	1980	1986	Percent Change
Total Recreation	$115.0	$182.2	58.4%
Books and maps	6.0	8.4	40.0
Nondurable toys and sports supplies	14.6	21.1	44.5
Durable toys, sports equipment, boats and pleasure aircraft	17.2	28.6	66.3
Admission to specified spectator amusements	6.5	10.3	58.5
Movies	2.7	4.0	48.1
Legitimate theater and opera	1.8	3.3	83.3
Spectator sports	2.0	3.0	50.0
Commercial participant amusements	9.7	15.6	60.8

Source: Department of Commerce

Despite the two-week constraint on paid vacations, Americans are still enjoying more leisure time than ever before. The move toward a service economy has produced a shorter workweek for most Americans. While, on average, manufacturing workers spend about 41 hours a week in their factories, service workers are at work only about 32 hours. With shifts in the employment composition, introduction of new technology and different labor practices, Americans have set a clear trend of less time

Manufacturers Hanover Economics Department 17/270

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in the workplace. In 1970, the average workweek for all private businesses was 37.1 hours; by 1980, this had shrunk to 35.3 hours. And in the first quarter of this year, only 34½ hours a week were devoted to earning a paycheck.

. . . And Leisure Becomes Big Business

Certainly, most of this nonwork time is used for the mundane tasks of everyday living: cleaning, shopping, commuting to and from work. But, without a doubt, Americans like to enjoy themselves and do not mind spending a few bucks to do it. In 1986, Americans spent $182 billion on recreational goods and services, up nearly 60 percent since 1980 (see table on page 1).

Although as a percentage of all consumer expenditures, recreation has stayed level over the past decade at about 6.6 percent, Americans today want more activity in their relaxation. People are using a greater proportion of their entertainment dollars than they did ten years ago on such participatory amusements as dancing, bowling, golfing, sightseeing and swimming. Moreover, if you can fly it, ride it or sail it, people want it. Spending on boats and pleasure aircraft has increased 73 percent since 1980 to about

Short Term Paper Outstanding

(Millions of Dollars)

Time Deposits of $100,000 or more Weekly Reporting Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (6/3/87)	165,688	+ 1,191	+ 8,668
New York City (6/10/87)	36,664	– 722	+ 2.236
Commercial Paper (6/10/87)	355,653	– 313	+ 43,645

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (6/3/87)	278,662	– 206	+16,674
New York City (6/10/87)	61,489	– 612	+ 4,886

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (6/3/87)	799,303	+ 4,485	+58,300
New York City (6/10/87)	180,136	– 906	+20,898

Financial Markets

	Friday 6/19/87	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	5.80%	+ .12	– .45
180-Day Bills†	6.18	+ .10	– .25
Longest Bills†	6.68	–0–	+ .11
Recent Issues:			
8S 5/31/89	7.40	– .06	
6 3/4S 3/31/91	7.78	– .04	
8 1/2S 5/15/97	8.29	– .02	
8 3/4S 5/15/17	8.46	– .02	
Municipals:			
Bond Buyer–20 Bond Index* (6/18/87)	7.63%	– .20	– .19
Blue List Total ($ Million)	$1,406	– $ 35	–$ 444
30-Day Visible Supply ($ Million)	$2,362	+ $352	–$ 698
Total	$3,768	+ $317	–$1,142
Corporates:			
Moody's Aa Composite (6/18/87)	9.60%	– .10	+ .12
30-Day Visible Supply ($ Million)	$3,403	+ $188	–$ 442
Stocks:			
Dow-Jones Averages:			
Industrials	2,420.85	+ 43.12	+541.31
Transportation	1,026.94	– 2.59	+248.81
Utilities	205.55	+ 1.78	+ 15.06
65 Stocks	908.52	+ 9.86	+190.91
N.Y.S.E. Composite Index	172.57	+ 2.72	+ 30.92
N.Y.S.E. Avg. Daily Vol. for Week (000's)	177,977	+ 15,467	+51,777

*46% Taxable equivalent 14.13%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 6/19/87	Week Ago
Overnight	6.62%	6.56%
1 month	7.00	6.94
3 month	7.06	7.06
6 month	7.25	7.25
1 year	7.69	7.69
EURODOLLAR BONDS Average Yield		
Medium Term (5 yrs.)	8.34%	8.64%
Long Term (10 yrs.)	8.98	9.27

FOREIGN EXCHANGE SPOT RATES

New York Opening (6/19/87)	Currency Per U.S. $	Week Ago
Canada	1.3385	1.3411
France	6.0940	5.9925
Germany	1.8275	1.7935
Italy	1321.25	1301.70
Japan	144.78	142.45
Mexico	1325.00	1309.00
Switzerland	1.5180	1.4840
U.K.*	1.6225	1.6635

*U.S. $ per U.K. pound

MH TRADE-WEIGHTED DOLLAR (6/19/87) (Adjusted for Inflation)	Change Since Week Ago	Change Since 2/27/85
	+1.8%	–2.5%

$7½ billion. Exotic pasttimes are also becoming commonplace, whether it be hot air ballooning or whitewater rafting. The Balloon Federation of America, for instance, estimates that over 5,000 people hold ballooning licenses today compared with only 440 in 1974.

If Americans are not using their increased leisure time to play their favorite sports, then they may be watching their favorite sports team. On any given Sunday afternoon last autumn, for example, over 725,000 people were in the stands watching a pro football game. Major league baseball attracted 47½ million ticketholders last year; and during the 1985-86 season, over 12 million fans passed through the turnstiles of the National Hockey League.

All this activity does not mean every American is going for the gusto. Just sitting back and relaxing remains popular, but even this costs money. Americans spent over $8 billion on books last year. And with the growth of cable, TV is no longer the free entertainment it was once. Although cable was virtually nonexistent 20 years ago, by 1986, households were paying almost $9 billion for cable subscriptions. ■

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 6/17/87	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	215.160	– .412	+22.842
Loans to Depository Inst.	.651	+ .032	– .083
Float	.825	+ .329	– .284
Total Reserve Bank Credit	231.766	+ .094	+22.285
Treasury Deposits with Federal Reserve Banks	3.879	+ .167	+ .804
Currency in Circulation	214.785	+ .294	+15.906
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	179.846	+ 1.281	+31.439
	6/17/87		
Member Bank Reserves:			
Total Reserves Held	58.020	+ 1.153	+10.167
Excess (Deficiency)	.836	– .304	– .178
Net Free Reserves	.555	+ .258	– .154
Monetary Aggregates †		**% Change Since 3 Months Ago***	**% Change Since Year Ago**
M1 (6/8/87)	745.7	+ 4.0‡	+ 13.7‡
M2 (May '87)	2,839.9	+ 2.7	+ 7.3
M3 (May '87)	3,555.3	+ 4.2	+ 7.3
Domestic Nonfinancial Debt (1st Q'87)	7,805.2	+ 6.4	+ 11.7

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 6/19/87	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	5.66%	5.94%	6.30%
* Federal Agencies	6.60	6.62	6.78
* Municipal Notes—High Grade (46% Taxable Equivalent)	6.48	6.85	7.22
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	6.90	7.10	7.70

‡Finance Company Paper—Prime

5- 14 days	6.63%
15- 29 days	6.80
30- 59 days	6.85
60- 89 days	6.88
90-179 days	6.90
180-239 days	6.90
240-270 days	6.90

‡* Bankers' Acceptances

Jul.	6.80%
Aug.	6.80
Sep.	6.80
Oct.	6.82
Nov.	6.82
Dec.	6.82

‡Industrial Paper—Prime

30- 89 days	6.88%
90-120 days	6.90

†Federal Funds Effective Rate 7.00%

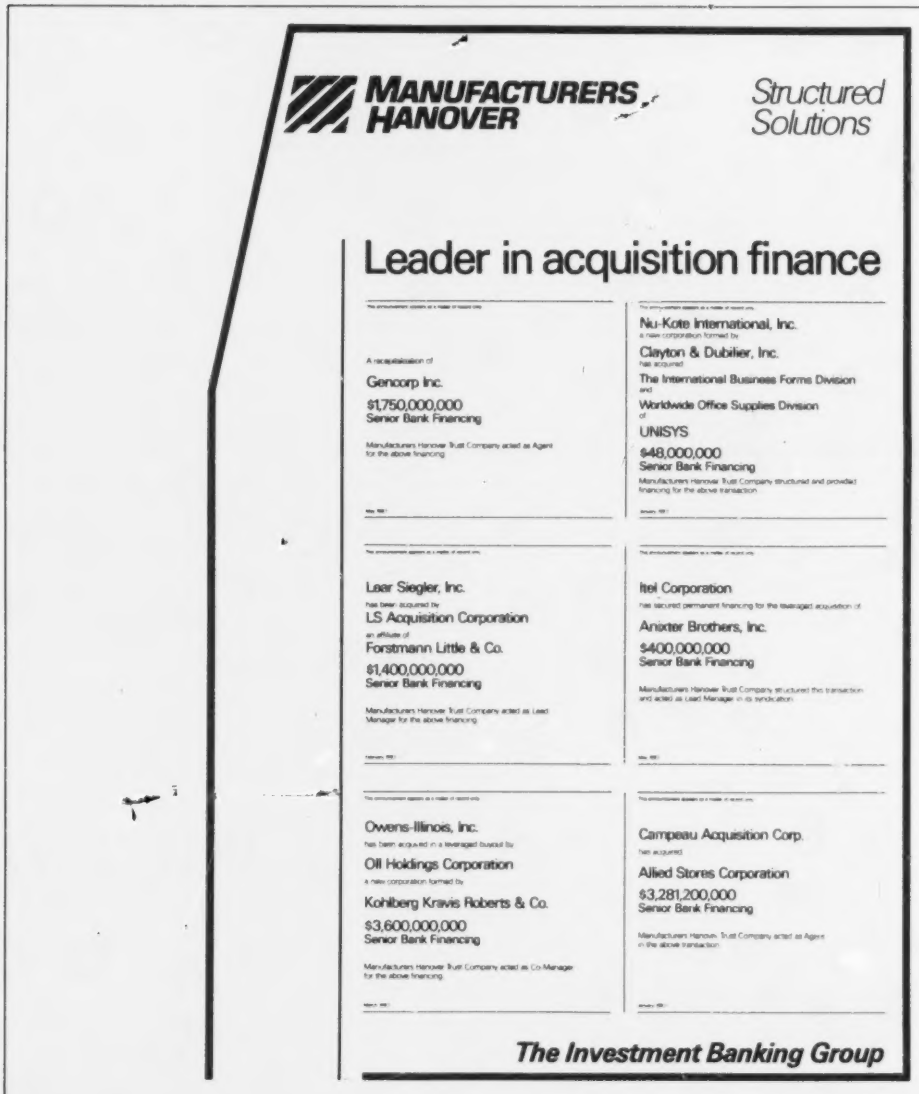
‡Discount basis. *Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'87	$ 4,352r	$ 4,259	$ 4,149
Gross National Product (1982 Dollars)*	1st Q'87	$ 3,739r	$ 3,696	$ 3,656
Percent Change, Annual Rate	1st Q'87	4.8r	1.1	3.8
Change in Consumer Prices*	Apr '87	4.8% (1)	4.8% (1)	– 3.6%
Change in Producer Prices*	May '87n	3.6%	8.4%	6.0%
Civilian Employment (Thousands of Persons)†	May '87	112,447	111,835	109,165
Unemployment as % of Civilian Labor Force†	May '87	6.3%	6.3%	7.2%
Personal Income*	May '87n	$ 3,630	$ 3,622r	$ 3,481
Leading Indicators Composite Index (1967=100)†	Apr '87	186.6	187.7	178.1
Industrial Production Index (1977=100) †	May '87n	127.8	127.2r	124.2
Net Change in Consumer Installment Credit †	Apr '87n	$ 2.93	$ 0.32r	$ 5.93
U.S. Merchandise Trade Balance	Apr '87n	–$ 13.32	–$ 13.63	–$ 14.28
Plant and Equipment Expenditures*	3rd Q'87n	$397.06(a)	$392.02(a) r	$374.55
Private Housing Starts (Thousands of Units)*	May '87n	1,620	1,665r	1,848
New Construction Expenditures*	Apr '87	$ 384.1	$ 382.4	$ 373.9
Total Business Inventories †	Apr '87n	$ 664.3	$ 663.0r	$ 655.4
Total Business Sales †	Apr '87n	$ 443.6	$ 445.0r	$ 422.4

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.
(1) Indicates new series.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Structured Solutions
Leader in acquisition finance
A recapitalization of
Gencorp Inc.
$1,750,000,000
Senior Bank Financing
Manufacturers Hanover Trust Company acted as Agent for the above financing.
Nu-Kote International, Inc.
a new corporation formed by
Clayton & Dubilier, Inc.
has acquired
The International Business Forms Division
and
Worldwide Office Supplies Division
of
UNISYS
$48,000,000
Senior Bank Financing
Manufacturers Hanover Trust Company structured and provided financing for the above transaction.
Lear Siegler, Inc.
has been acquired by
LS Acquisition Corporation
an affiliate of
Forstmann Little & Co.
$1,400,000,000
Senior Bank Financing
Manufacturers Hanover Trust Company acted as Lead Manager for the above financing.
Itel Corporation
has secured permanent financing for the leveraged acquisition of
Anixter Brothers, Inc.
$400,000,000
Senior Bank Financing
Manufacturers Hanover Trust Company structured this transaction and acted as Lead Manager in its syndication.
Owens-Illinois, Inc.
has been acquired in a leveraged buyout by
OII Holdings Corporation
a new corporation formed by
Kohlberg Kravis Roberts & Co.
$3,600,000,000
Senior Bank Financing
Manufacturers Hanover Trust Company acted as Co-Manager for the above financing.
Campeau Acquisition Corp.
has acquired
Allied Stores Corporation
$3,281,200,000
Senior Bank Financing
Manufacturers Hanover Trust Company acted as Agent in the above transaction.
The Investment Banking Group

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